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**SUMMARY OF TELECONFERENCE MEETING #9
ENERGY SUPPLY TECHNICAL WORKING GROUP
ARIZONA CLIMATE CHANGE ADVISORY GROUP
May 11, 2006**

Attendance:

1. Workgroup Members:
Sandy Bahr – Sierra Club
Margaret Cook – Gila River Indian Community
Cosimo de Masi – Tucson Electric Power
Kara Downey – Arizona Electric Power Cooperative
Richard Hayslip – Salt River Project
Renz Jennings – Private Citizen
2. ADEQ: Kurt Maurer, Ira Domskey and Lynn Ott
3. Center for Climate Strategies (CCS): Ken Colburn and Eric Williams
4. Other Attendees: Kate Widland, Salt River Project; Jeff Schlegel, Southwest Energy Efficiency Project; Kate Whalen, Arizona League of Conservation Voters; Dave Berry, Western Resource Advocates

Background documents:

(all posted at <http://www.azclimatechange.us/template.cfm?FrontID=4673>)

1. Agenda
2. Summary of ES TWG Call #8
3. Powerpoint presentation for meeting
4. Draft Policy Option Descriptions, updated to include revised quantification and analysis results
5. Memo detailing changes from the preliminary results as reported on the May 4, 2006 call.

Discussion items and key issues:

1. Members approved the summary of the May 4, 2006 conference call.
2. Ken Colburn of CCS reviewed the purpose of today's call:
 - a. To review revisions that CCS made in the preliminary emission reduction and cost estimate quantifications provided on the May 4 call;

- b. To achieve TWG consensus recommendations for emission reduction options that can be included in the CCAG final report, or to identify specific barriers to consensus that need to be raised with the CCAG at the May 16 meeting.
3. Eric Williams of CCS summarized the revised quantification results and rationale for the changes for each of the TWG options that had required modification. (See Result Changes Memo for details.)
4. Members on the call agreed that the following options should be forwarded to the CCAG with recommendation for inclusion in the report:
 - a. ES 1 (Environmental Portfolio Standard), options 1a(1) and 1c
 - b. ES 3 (Direct Renewable Energy Support) which is the Energy Supply TWG equivalent to RCI Option 7
 - c. ES 4 (Cap and Trade Program) as it is described in the Policy Option Description document, with quantification analysis that the CCAG had requested at its March 17, 2006 meeting
 - d. ES 9 (Reduce Barriers to Renewables and Distributed Generation), which is the ES TWG equivalent to RCI Option 6
 - e. ES 10 (Metering Strategies)
 - f. ES 11 (Pricing Strategies) which is the ES TWG equivalent to RCI Option 8.
 - g. ES 12 (Integrated Resource Planning)
5. Members on the call achieved consensus to forward the following options to the CCAG, but with varying recommendations as to their disposition:
 - a. ES 5 (Generation Performance Standards). Initially one TWG member questioned the cost effectiveness estimate, as utilities may be looking at using coal as a source for additional baseload generation in the future. When it was explained that offsets could be applied to meet a GPS, this concern was alleviated. The GPS compares favorably with other options for reductions and cost effectiveness, but because it is competitive with some other TWG options, the CCAG should select among these options.
 - b. ES 7 (Voluntary Utility CO2 Targets). The TWG achieved consensus that this option should be forwarded to the CCAG with the TWG's recommendation that it not be included in the report because the emission reduction potential compared to the cost is less effective than other available options, though voluntary targets may have significant value in other sectors or applications.
 - c. ES 8 (CO2 Tax). The TWG had consensus to forward this option to the CCAG but because members felt more analysis might be useful for an informed CCAG decision, it was proposed that CCS should quantify results from additional tax levels as a "sensitivity run" to see if a higher tax results in proportionally greater emission reduction.
6. Members on the call did not achieve consensus with respect to the following options:
 - a. ES 2 (Public Benefit Charge Funds) because of the relatively high cost to emission reduction benefit

- b. ES 6 (Carbon Intensity Targets) because the option showed reasonably high cost for reasonably high emission reduction potential. In addition, it was not clear whether generation efficiency would be included or not in accomplishing the annual targets.

Next steps and agreements:

All of the options will be forwarded to the CCAG, with TWG input, for consideration at the May 16 CCAG meeting.